

FERC Technical Conference on California ISO MRTU SEAMS Issues

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I would like to start by welcoming the Commission and its staff to Phoenix and thanking you for proceeding with this technical conference.

I am Jerry Smith from APS. As Chairman of the Seams Issues Subcommittee, today I am representing the Western Electricity Coordinating Council (WECC)

In 2001, entities in the west recognized that with the formation of RTOs there would be SEAMS. To address these SEAMS, the Seams Steering Group of the Western Interconnection (SSG-WI) was formed. An MOU for SSG-WI was signed in December 2002. As efforts in the west progressed, markets in the Northwest and Southwest continued to develop on a voluntary basis and moved away from the mandatory RTO approach. In 2005, it was decided that others should take on the efforts of SSG-WI

In March 2006, just prior to the termination of SSG-WI, it was agreed that WECC would form a group called the Seams Issues Subcommittee (SIS) to work on western Seams issues. SSG-WI was officially terminated in May 2006. It is the hope of the SIS to use the work developed in the SSG-WI process. Since its start up, SIS has had three face to face meetings and several conference calls. These first meetings and initial conference calls established the SIS scope statement which was approved June 2006. .

The SIS was created to assess market/commercial and reliability activities in order to identify seams issues that need in-depth evaluation and to take appropriate action to in addressing the SEAMS issues. All recommendations are to be reported to the WECC Market Interface Committee for consideration, prioritization, and direction.

SEAMS issues occur at three different levels: (1) Individual company level. These would include existing contracts and the treatment of ownership rights in common facilities; (2) Sub region level (such as the southwest) where there are specific needs of the subregion, such as the treatment of the hydro in the Northwest; and (3) Interconnection level (WECC).

The SIS is responsible for the investigation of potential MRTU SEAMS at the WECC level. However, SIS is also responsible for investigating all (not just MRTU) potential SEAMS issues that could affect the market within the WECC region and making recommendations as to how the issue or issues should be addressed and resolved.

SIS has started to address existing SEAMS and to assess the impact of MRTU on the WECC region. The SIS has identified the following areas where SEAMS may exist with implementation of MRTU. They are: Congestion Management, Resource Adequacy Resources, tagging/Scheduling/Market timing and data requirements, Congestion

Revenue Rights, LMP impact on system operations/reliability of others and Parallel Operations during cutover.

Work Groups have been formed to review the FERC MRTU order, to develop a report that identifies the SEAMS issues relative to each work group and to make recommendations to WECC of actions needed to either solve or mitigate the seams issues. We do not know what effect MRTU will have on the seams. The following is a brief description of what each of the SIS work groups will be investigating to determine whether there are SEAMS.

Congestion Management

The SIS Congestion Management work group will review the SSG-WI work on congestion management. SSG-WI efforts focused mostly on the day-ahead and the data requirements sequencing and timing of data submittal.

The work group investigating congestion management will be looking at the possible impacts of using a full network model by CAISO that does not include all the western interconnection. Specifically,

- CAISO data requirements for a full network model
- Timing requirements of data submittal
- Other entities' data requirements from the CAISO
- The potential impacts to unscheduled flows resulting from an LMP market in the West
- Issues associated with MRTU and the existing WECC Unscheduled Flow Reduction Procedure
- The completeness of the CAISO's full network model. The network model today does not fully include external control areas. Adjacent control areas are modeled as regular lines. Will the relief of congestion on the CAISO system through uses a full Network model that does not include external control areas, result in additional constraints outside the CAISO?

Resource Adequacy Resources

The Resource Adequacy Work Group will be looking for clarification on the following:

- Treatment of resources that are partial Resource Adequacy Resources and partially owned by entities outside the CAISO, when the CAISO calls on the unit for Resource Adequacy Resources.
- And how will Resource Adequacy Resources being sold outside the CASIO be treated when RARs are called on.

In addition the Work Group will be reviewing

- How emergency cuts outside the CAISO handled.
- The accommodation of wheeling under MRTU
- The impact to bilateral buying by entities within the CAISO from outside the CAISO during the call for RARs

- The seams, if any, between the Northwest's Resource Adequacy program and the CAISO

Tagging/Scheduling/Market Requirements

This work group will be investigating the timelines and data requirements for tagging, scheduling and market requirements. The close of the day ahead market is this work group's biggest concern.

Congestion Revenue Rights

The Congestion Revenue Rights Work Group will be reviewing:

- How the CRR auction will be held
- The effects of the CRR auction others' ability to obtain CRRs
- Clarification on the impact to pre-existing contracts
- The impact to those outside the CAISO regarding how CRRs are issued and honored

The Impact of an LMP Market on System Operations/Reliability of Neighboring Regions

This group will be working with another work group that was formed under the Operating Committee of the WECC to assess parallel operations during cutover.

Parallel Operations During Cutover

This group will also be working with a work group that was formed under the Operating Committee of the WECC to assess this.

Other Areas that will be Addressed Include

Marginal Losses, Outage Coordination and Unaccounted for Energy

CONCLUSION

In conclusion, the SIS does not know what impact MRTU will have on seams, but is investigating potential seams concerns. As a result, none of us should be surprised by unintended consequences and to that point we want processes in place to address any unintended consequences as soon as possible.